

MORAVIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2020

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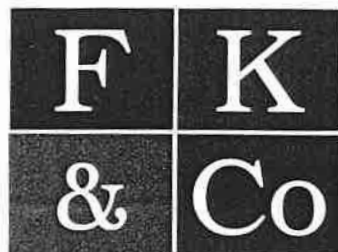
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Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
Board of Education		
Chris Spencer	President	2021
John Baty	Vice-President	2023
Andy DeJong	Board Member	2021
Jamie Hanes	Board Member	2023
Jerry Robison	Board Member	2023
School Officials		
Brad Breon	Superintendent	Indefinite
Christina Bickel	District Secretary/Treasurer/ Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Moravia Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Moravia Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District (District), Moravia, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 14 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2021 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC

March 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Moravia Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,749,992 in fiscal year 2019 to \$4,827,321 in fiscal year 2020, while General Fund expenditures increased from \$4,548,537 in fiscal year 2019 to \$4,581,274 in fiscal year 2020. The District's General Fund balance increased from \$1,548,062 at the end of fiscal year 2019 to \$1,794,109 at the end of fiscal year 2020, a 15.9% increase.
- The increase in revenues was the result of increased state aid and property tax collections.

READING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Moravia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Moravia Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the non-major governmental funds, the capital projects fund accounts and the internal service funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide service for other District programs and activities. The District currently has two Internal Service Funds, the Flexible Spending Fund and the Health Insurance Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2020 compared to June 30, 2019.

Figure A-1
Combined Statement of Net Position
(Expressed in Thousands)

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30, 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 5,029	4,593	107	115	5,136	4,708	9.1%
Capital assets	5,886	5,982	50	42	5,936	6,024	-1.5%
Total assets	10,915	10,575	157	157	11,072	10,732	3.2%
Deferred outflows of resources	579	668	15	18	594	686	-13.4%
Long-term liabilities	4,633	4,984	48	56	4,681	5,040	-7.1%
Other liabilities	507	526	9	7	516	533	-3.2%
Total liabilities	5,140	5,510	57	63	5,197	5,573	-6.7%
Deferred infulows of resources	1,992	1,742	11	9	2,003	1,751	14.4%
Net position:							
Net investment in capital assets	3,231	3,132	50	42	3,281	3,174	3.4%
Restricted	889	860	-	-	889	860	3.4%
Unrestricted	242	(1)	54	61	296	60	393.3%
Total net position	\$ 4,362	3,991	104	103	4,466	4,094	9.1%

The District's total net position increased 9.1%, or approximately \$372,000, from the prior year. A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$29,000, or 3.4% over the prior year. The increase was primarily due to an increase in restricted funds for management levy purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$236,000, or 393.3% over the prior year.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-2 Changes in Net Position (Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2020	2019	2020	2019	2020	2019	2019-2020	
Revenues:								
Program revenues:								
Charges for service	\$ 957	1,080	69	103	1,026	1,183	-13.3%	
Operating grants, contributions and restricted interest	863	795	138	146	1,001	941	6.4%	
General revenues:								
Property tax	1,380	1,468	-	-	1,380	1,468	-6.0%	
Income surtax	187	187	-	-	187	187	0.0%	
Statewide sales, services and use tax	364	352	-	-	364	352	3.4%	
Unrestricted state grants	1,924	1,789	-	-	1,924	1,789	7.5%	
Unrestricted investment earnings	2	1	-	-	2	1	100.0%	
Capital contributions	-	-	13	-	13	-	1300.0%	
Other	80	85	-	-	80	85	-5.9%	
Total revenues	5,757	5,757	220	249	5,977	6,006	-0.5%	
Program expenses:								
Instruction	3,478	3,391	-	-	3,478	3,391	2.6%	
Support services	1,483	1,428	-	-	1,483	1,428	3.9%	
Non-instructional programs	1	1	219	223	220	224	-1.8%	
Other expenses	424	402	-	-	424	402	5.5%	
Total expenses	5,386	5,222	219	223	5,605	5,445	2.9%	
Change in net position	371	535	1	26	372	561	-33.7%	
Net position beginning of year	3,991	3,456	103	77	4,094	3,533	15.9%	
Net position end of year	\$ 4,362	3,991	104	103	4,466	4,094	9.1%	

In fiscal 2020, property tax and unrestricted state grants account for 57.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of the revenue from the business type activities. The District's total revenues were approximately \$6.0 million of which approximately \$5.8 million was for governmental activities and approximately \$220,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 0.5% decrease in revenues and a 2.9% increase in expenses. The increases in expenses is primarily due to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,757,549 and expenses were \$5,386,066 for the year ended June 30, 2020. In a difficult budget year, the District's financial position increased due to decisions made by the District to control spending to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-3 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 3,478	3,391	2.6%	1,998	1,856	7.7%
Support services	1,483	1,428	3.9%	1,301	1,236	5.3%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	424	402	5.5%	266	254	4.7%
Total	\$ 5,386	5,222	3.1%	3,566	3,347	6.5%

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$957,496.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$862,696.
- The net cost of governmental activities was financed with \$1,931,039 in property and other tax and \$1,924,452 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2020 were \$219,428, representing a 12.0% decrease under the prior year while expenses totaled \$218,608, a 2.2% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Moravia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,587,119, above last year's ending fund balances of \$2,306,100. The primary reason for the increase was the result of the increase in the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in property tax resulted in an increase in property tax revenues. In addition, State aid revenues increased, resulting in an overall increase of revenues from fiscal year 2019 to fiscal year 2020.

The General Fund balance increased from \$1,548,062 to \$1,794,109 was primarily due to controlling costs to ensure we do not spend more than the revenue received during the fiscal year.

- The Capital Projects Fund balance decreased by \$11,833 from fiscal year 2019 to fiscal year 2020. From this fund, the District purchased a bus, made improvements to the interior of the buildings, as well as improvements to the grounds. The District spent more money on this than the related revenue received into this fund in the fiscal year. This would account for the decrease in the fund balance from fiscal year 2019 to fiscal year 2020.

BUDGETARY HIGHLIGHTS

Over the course of the year, Moravia Community School District did not amend its annual budget.

The District's total revenues were \$174,296 less than total budgeted revenues, a variance of approximately 2.9%. The difference was primarily due to less local monies received than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested \$5.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 1.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$275,477.

The original cost of the District's capital assets was approximately \$9.5 million. Governmental funds account for approximately \$9.3 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increase in assets was due to the acquisition of new equipment, including a vehicle, building improvements and athletic field improvements and facilities.

Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 12	12	-	-	12	12	0.0%
Buildings	4,639	4,759	-	-	4,639	4,759	-2.5%
Improvements other than buildings	586	574	-	-	586	574	2.1%
Furniture and equipment	649	637	50	42	699	679	2.9%
Totals	\$ 5,886	5,982	50	42	5,936	6,024	-1.5%

Long-Term Debt

At June 30, 2020, the District had \$2,655,000 in total long-term debt outstanding. This represents a decrease of 6.8% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$9.0 million.

Debt decreased due to the scheduled payment of existing debt.

Figure A-5
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2020	2019	2019-2020
General obligation bonds	\$ 1,765	1,880	-6.1%
Revenue bonds	890	970	-8.2%
Totals	\$ 2,655	2,850	-6.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District expects a slight increase in enrollment due to families moving into the district as well as open enrolling into Moravia's school district.
- The continued housing development at Sundown Lake could increase tax base and enrollment.
- Local option sales and services tax revenues have a significant impact on building improvements.
- Grants are sought to help with educational improvements in the District.
- Several building and grounds improvements are being done to keep facilities in good condition.
- Several new homes and businesses have been added in the District and will continue to see this growth in future years. The Honey Creek Destination Park is located in the District. This should continue to generate an increase in the tax base due to related development in the region.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christina Bickel, District Secretary/Treasurer and Business Manager, Moravia Community School District, 505 N. Trussell, Moravia, Iowa, 52571.

Basic Financial Statements

Statement of Net Position

June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,899,656	86,390	2,986,046
Receivables:			
Property tax:			
Delinquent	19,694	-	19,694
Succeeding year	1,543,918	-	1,543,918
Accounts	1,177	7,350	8,527
Due from other governments	564,352	8,832	573,184
Inventories	-	3,893	3,893
Capital assets, net of accumulated depreciation	5,886,496	50,424	5,936,920
Total assets	10,915,293	156,889	11,072,182
Deferred Outflows of Resources			
Pension related deferred outflows	568,910	14,168	583,078
OPEB related deferred outflows	9,889	310	10,199
Total deferred outflows of resources	578,799	14,478	593,277
Liabilities			
Accounts payable	49,377	-	49,377
Salaries and benefits payable	442,230	8,083	450,313
Accrued interest payable	15,537	-	15,537
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	115,000	-	115,000
Revenue bonds	80,000	-	80,000
Early retirement	58,400	-	58,400
Portion due after one year:			
General obligation bonds	1,650,000	-	1,650,000
Revenue bonds	810,000	-	810,000
Net pension liability	1,819,461	45,314	1,864,775
Total OPEB liability	99,767	3,132	102,899
Total liabilities	5,139,772	56,529	5,196,301
Deferred Inflows of Resources			
Unavailable property tax revenue	1,543,918	-	1,543,918
Pension related deferred inflows	448,291	11,165	459,456
Total deferred inflows of resources	1,992,209	11,165	2,003,374
Net Position			
Net investment in capital assets	3,231,496	50,424	3,281,920
Restricted:			
Nonexpendable:			
Education foundation	30,077	-	30,077
Expendable:			
Categorical funding	110,753	-	110,753
Education foundation purposes	11,299	-	11,299
Management levy purposes	223,285	-	223,285
Debt service	185,602	-	185,602
Student activities	163,211	-	163,211
School infrastructure	126,227	-	126,227
Physical plant and equipment	37,772	-	37,772
Unrestricted	242,389	53,249	295,638
Total net position	\$ 4,362,111	103,673	4,465,784

See notes to financial statements.

Moravia Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
	Expenses	Charges for Service			Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,240,819	439,554	562,839	-	(1,238,426)	-	(1,238,426)
Special instruction	445,833	177,147	127,099	-	(141,587)	-	(141,587)
Other instruction	791,745	167,198	6,788	-	(617,759)	-	(617,759)
	<u>3,478,397</u>	<u>783,899</u>	<u>696,726</u>	<u>-</u>	<u>(1,997,772)</u>	<u>-</u>	<u>(1,997,772)</u>
Support services:							
Student	86,922	-	-	-	(86,922)	-	(86,922)
Instructional staff	28,198	-	-	-	(28,198)	-	(28,198)
Administration	618,647	172,219	-	-	(446,428)	-	(446,428)
Operation and maintenance of plant	489,733	-	-	-	(489,733)	-	(489,733)
Transportation	259,633	1,378	7,815	-	(250,440)	-	(250,440)
	<u>1,483,133</u>	<u>173,597</u>	<u>7,815</u>	<u>-</u>	<u>(1,301,721)</u>	<u>-</u>	<u>(1,301,721)</u>
Non-instructional programs	<u>649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(649)</u>	<u>-</u>	<u>(649)</u>
Other expenditures:							
Facilities acquisition	67,507	-	-	-	(67,507)	-	(67,507)
Long-term debt interest	78,738	-	48	-	(78,690)	-	(78,690)
AEA flowthrough	158,107	-	158,107	-	-	-	-
Depreciation (unallocated)*	119,535	-	-	-	(119,535)	-	(119,535)
	<u>423,887</u>	<u>-</u>	<u>158,155</u>	<u>-</u>	<u>(265,732)</u>	<u>-</u>	<u>(265,732)</u>
Total governmental activities	<u>5,386,066</u>	<u>957,496</u>	<u>862,696</u>	<u>-</u>	<u>(3,565,874)</u>	<u>-</u>	<u>(3,565,874)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	218,608	68,659	137,866	-	-	(12,083)	(12,083)
Total business type activities	<u>218,608</u>	<u>68,659</u>	<u>137,866</u>	<u>-</u>	<u>-</u>	<u>(12,083)</u>	<u>(12,083)</u>
Total	<u>\$ 5,604,674</u>	<u>1,026,155</u>	<u>1,000,562</u>	<u>-</u>	<u>(3,565,874)</u>	<u>(12,083)</u>	<u>(3,577,957)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 1,177,025	-	1,177,025
Debt service					166,309	-	166,309
Capital outlay					36,988	-	36,988
Income surtax					187,196	-	187,196
Statewide sales, services and use tax					363,521	-	363,521
Unrestricted state grants					1,924,452	-	1,924,452
Unrestricted investment earnings					1,746	51	1,797
Capital contributions					-	12,852	12,852
Other					80,120	-	80,120
Total general revenues and transfers					<u>3,937,357</u>	<u>12,903</u>	<u>3,950,260</u>
Change in net position					371,483	820	372,303
Net position beginning of year					<u>3,990,628</u>	<u>102,853</u>	<u>4,093,481</u>
Net position end of year					<u>\$ 4,362,111</u>	<u>103,673</u>	<u>4,465,784</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$1,983,170	238,838	493,280	2,715,288
Receivables:				
Property tax:				
Delinquent	15,059	525	4,110	19,694
Succeeding year	1,208,547	44,543	290,828	1,543,918
Accounts	220	-	957	1,177
Due from other funds	-	-	24,800	24,800
Due from other governments	533,716	30,636	-	564,352
Total assets	\$3,740,712	314,542	813,975	4,869,229
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 49,241	-	136	49,377
Salaries and benefits payable	442,230	-	-	442,230
Due to other funds	24,800	-	-	24,800
Total liabilities	516,271	-	136	516,407
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,208,547	44,543	290,828	1,543,918
Other	221,785	-	-	221,785
Total deferred inflows of resources	1,430,332	44,543	290,828	1,765,703
Fund balances:				
Nonspendable - Education foundation	-	-	30,077	30,077
Restricted for:				
Categorical funding	110,753	-	-	110,753
Education foundation purposes	-	-	11,299	11,299
Management levy purposes	-	-	223,285	223,285
Debt service	-	106,000	95,139	201,139
Student activities	-	-	163,211	163,211
School infrastructure	-	126,227	-	126,227
Physical plant and equipment	-	37,772	-	37,772
Unassigned	1,683,356	-	-	1,683,356
Total fund balances	1,794,109	269,999	523,011	2,587,119
Total liabilities, deferred inflows of resources and fund balances	\$3,740,712	314,542	813,975	4,869,229

See notes to financial statements.

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

Year ended June 30, 2020

Total fund balances of governmental funds (page 18) **\$ 2,587,119**

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

5,886,496

The Internal Service Fund is used by management to charge the costs of the District's flexible spending plan and partial self funding of the health insurance plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.

184,368

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

221,785

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.

(15,537)

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflow of resources
Deferred inflow of resources

\$ 578,799
(448,291)

130,508

Long-term liabilities, including general obligation bonds payable, revenue bonds payable, early retirement payable, total OPEB liability, and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(4,632,628)

Net position of governmental activities (page 16)

\$ 4,362,111

See notes to financial statements.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,220,244	36,652	286,108	1,543,004
Tuition	705,311	-	-	705,311
Other	111,549	17	181,019	292,585
State sources	2,585,027	363,840	2,670	2,951,537
Federal sources	205,190	-	-	205,190
Total revenues	<u>4,827,321</u>	<u>400,509</u>	<u>469,797</u>	<u>5,697,627</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,145,263	13,984	37,025	2,196,272
Special	452,210	-	2,764	454,974
Other	594,949	-	160,767	755,716
	<u>3,192,422</u>	<u>13,984</u>	<u>200,556</u>	<u>3,406,962</u>
Support services:				
Student	86,637	-	565	87,202
Instructional staff	21,889	6,942	2	28,833
Administration	588,416	-	16,593	605,009
Operation and maintenance of plant	364,220	105,573	22,006	491,799
Transportation	169,583	112,736	13,733	296,052
	<u>1,230,745</u>	<u>225,251</u>	<u>52,899</u>	<u>1,508,895</u>
Non-instructional programs	-	-	649	649
Other expenditures:				
Facilities acquisition	-	67,507	-	67,507
Long-term debt:				
Principal	-	-	195,000	195,000
Interest and fiscal charges	-	-	79,488	79,488
AEA flowthrough	158,107	-	-	158,107
	<u>158,107</u>	<u>67,507</u>	<u>274,488</u>	<u>500,102</u>
Total expenditures	<u>4,581,274</u>	<u>306,742</u>	<u>528,592</u>	<u>5,416,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246,047</u>	<u>93,767</u>	<u>(58,795)</u>	<u>281,019</u>
Other financing sources (uses):				
Transfers in	-	-	105,600	105,600
Transfers out	-	(105,600)	-	(105,600)
Total other financing sources (uses)	<u>-</u>	<u>(105,600)</u>	<u>105,600</u>	<u>-</u>
Change in fund balances	246,047	(11,833)	46,805	281,019
Fund balances beginning of year	<u>1,548,062</u>	<u>281,832</u>	<u>476,206</u>	<u>2,306,100</u>
Fund balances end of year	<u>\$ 1,794,109</u>	<u>269,999</u>	<u>523,011</u>	<u>2,587,119</u>

See notes to financial statements.

Moravia Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2020

Net change in fund balances - total governmental funds (page 20) **\$ 281,019**

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 173,530	
Depreciation expense	<u>(269,071)</u>	(95,541)

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds	59,922
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	195,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	750
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures of the governmental funds, as follows:	262,684
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Early retirement	(13,600)	
Pension expense	(287,406)	
OPEB expense	<u>(8,849)</u>	(309,855)

The Internal Service fund is used by management to charge the costs of the District's flexible spending plan and partial self funding of the health insurance plan to individual funds. The change in net assets of the Internal Service Fund are reported in governmental activities.	<u>(22,496)</u>
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Change in net position of governmental activities (page 17)	<u>\$ 371,483</u>
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Moravia Community School District

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2020

	Business - Type Activities Nonmajor Enterprise, School Nutrition	Governmental Activities Internal Service
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 86,390	184,368
Receivables:		
Accounts	7,350	-
Due from other governments	8,832	-
Inventories	3,893	-
Total current assets	106,465	184,368
Noncurrent assets:		
Capital assets, net of accumulated depreciation	50,424	-
Total noncurrent assets	50,424	-
Total assets	156,889	184,368
Deferred Outflows of Resources		
Pension related deferred outflows	14,168	-
OPEB related deferred outflows	310	-
Total deferred outflows of resources	14,478	-
Liabilities		
Current liabilities:		
Salaries and benefits payable	8,083	-
Total current liabilities	8,083	-
Noncurrent liabilities:		
Net pension liability	45,314	-
Total OPEB liability	3,132	-
Total noncurrent liabilities	48,446	-
Total liabilities	56,529	-
Deferred Inflows of Resources		
Pension related deferred inflows	11,165	-
Total deferred inflows of resources	11,165	-
Net Position		
Net investment in capital assets	50,424	-
Unrestricted	53,249	184,368
Total net position	\$ 103,673	184,368

See notes to financial statements.

Operating revenues:		
Local sources:		
Charges to operating funds	\$ -	628,383
Charges for service	68,659	-
Charges to employees and others	-	38,808
Total operating revenues	<u>68,659</u>	<u>667,191</u>
Operating expenses:		
Non-instructional programs:		
Salaries	74,126	-
Benefits	26,126	-
Purchased services	671	-
Supplies	111,279	-
Insurance premiums	-	600,592
Medical claims	-	61,650
Flexible spending claims	-	13,413
Administrative fees	-	14,422
Depreciation	6,406	-
Total operating expenses	<u>218,608</u>	<u>690,077</u>
Operating income (loss)	<u>(149,949)</u>	<u>(22,886)</u>
Non-operating revenues:		
State sources	1,879	-
Federal sources	135,987	-
Interest income	51	390
Total non-operating revenues	<u>137,917</u>	<u>390</u>
Income (Loss) before capital contribution	(12,032)	(22,496)
Capital contributions	<u>12,852</u>	<u>-</u>
Change in net position	820	(22,496)
Net position beginning of year	<u>102,853</u>	<u>206,864</u>
Net position end of year	<u>\$ 103,673</u>	<u>184,368</u>

See notes to financial statements.

Statement of Cash Flows
Proprietary Funds

EXHIBIT 1

Year ended June 30, 2020

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise, School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 68,659	-
Cash received from operating fund reimbursements	-	628,383
Cash received from employees and others	-	38,808
Cash payments to suppliers for services	-	(690,077)
Cash payments to employees for services	(100,909)	-
Cash payments to suppliers for goods and services	(108,481)	-
Net cash provided (used) by operating activities	<u>(140,731)</u>	<u>(22,886)</u>
Cash flows from non-capital financing activities:		
State grants received	1,879	-
Federal grants received	127,607	-
Net cash provided by non-capital financing activities	<u>129,486</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,531)	-
Capital contributions	12,852	-
Net cash provided (used) by capital and related financing activities	<u>(1,679)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	51	390
Net decrease in cash and cash equivalents	(12,873)	(22,496)
Cash and cash equivalents at beginning of year	99,263	206,864
Cash and cash equivalents at end of year	<u>\$ 86,390</u>	<u>184,368</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (149,949)	(22,886)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	6,107	-
Depreciation	6,406	-
Increase in accounts receivable	(1,255)	-
Increase in inventories	(1,373)	-
Decrease in deferred outflows of resources	3,150	-
Increase in salaries and benefits payable	844	-
Decrease in net pension liability	(7,885)	-
Increase in OPEB liability	915	-
Increase in deferred inflows of resources	2,309	-
Net cash provided (used) by operating activities	<u>\$ (140,731)</u>	<u>(22,886)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2020, the District received \$6,107 of federal commodities.

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2020

(1) **Summary of Significant Accounting Policies**

Moravia Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Moravia, Iowa, and the predominate agricultural territory in Appanoose, Davis and Monroe Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has one component unit which meets the Governmental Accounting Standards Board criteria.

Blended Component Unit – The Moravia Education Foundation (Foundation) is included in the financial statements of the District because its relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The members and Board of Directors of the Foundation consist of the members of the District's Board of Education. In addition, the purpose of the Foundation is to support the activities of the District.

Jointly Governed Organizations – The District participates in jointly governed organizations which provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose, Davis and Monroe County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. All internal service funds are aggregated and reported as governmental activities in the proprietary funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally the District reports three non-major proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Flexible Spending Fund is utilized to account for employee flexible benefits. The Internal Service, Health Insurance Fund is used to account for costs associated with the District's partial self-funded health insurance program. The Internal Service Funds are charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed or used rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, contributions from the District after the measurement date but before the end of the District's reporting period, changes in assumptions and differences between expected and actual experiences in relation to OPEB.

Salaries and Benefits Payable – Payroll and related expenditures for teachers and other District personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue – Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of income surtax, federal grant revenue received in advance, other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the deposits to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$47,254, pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of ISJIT investments. The investment on the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

The Foundation invests in a checking account, money market account and stock. At June 30, 2020, the cost of the stock was \$25,174, and the fair value was \$6,950. The District uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The recurring fair value of the stock was determined using quoted market prices. (Level 1 inputs).

(3) Due From and Due to Other Funds

The details of interfund receivables and payables at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Management Levy	General	<u>\$ 24,800</u>

The above due from/to amounts represents loans between funds, and to correct improper recording of transactions.

(4) Interfund Transfers

The detail of the interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 105,600</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 12,448	-	-	12,448
Total capital assets not being depreciated	12,448	-	-	12,448
Capital assets being depreciated:				
Buildings	6,827,283	-	-	6,827,283
Improvements other than buildings	1,048,110	70,821	-	1,118,931
Furniture and equipment	1,236,325	102,709	-	1,339,034
Total capital assets being depreciated	9,111,718	173,530	-	9,285,248
Less accumulated depreciation for:				
Buildings	2,068,752	119,535	-	2,188,287
Improvements other than buildings	474,055	58,583	-	532,638
Furniture and equipment	599,322	90,953	-	690,275
Total accumulated depreciation	3,142,129	269,071	-	3,411,200
Total capital assets being depreciated, net	5,969,589	(95,541)	-	5,874,048
Governmental activities capital assets, net	\$ 5,982,037	(95,541)	-	5,886,496
Business type activities:				
Furniture and equipment	\$ 175,548	14,531	-	190,079
Less accumulated depreciation	133,249	6,406	-	139,655
Business type activities capital assets, net	\$ 42,299	8,125	-	50,424

Depreciation expense was charged to the following functions:

Government activities:

Instruction:	
Other	\$ 19,799
Support services:	
Operation and maintenance of plant	69,921
Transportation	59,816
	<u>149,536</u>
Unallocated	<u>119,535</u>
Total depreciation expense - governmental activities	<u>\$ 269,071</u>

Business type activities:

Food service operations	<u>\$ 6,406</u>
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Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$1,880,000	-	115,000	1,765,000	115,000
Revenue bonds	970,000	-	80,000	890,000	80,000
Early retirement	44,800	58,400	44,800	58,400	58,400
Net pension liability	2,016,797	-	197,336	1,819,461	-
Total OPEB liability	72,323	27,444	-	99,767	-
Total	\$4,983,920	85,844	437,136	4,632,628	253,400
Business type activities:					
Net pension liability	\$ 53,199	-	7,885	45,314	-
Total OPEB liability	2,217	915	-	3,132	-
Total	\$ 55,416	915	7,885	48,446	-

General Obligation Bonds

Details of the District's June 30, 2020 general obligation indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2013			
	Interest Rates	Principal	Interest	Total
2021	2.00%	\$ 115,000	50,828	165,828
2022	2.10%	120,000	48,527	168,527
2023	2.25%	120,000	46,008	166,008
2024	2.40%	125,000	43,308	168,308
2025	2.60%	130,000	40,307	170,307
2026-2030	3.00-3.25%	690,000	143,868	833,868
2031-2033	3.25-3.40%	465,000	31,735	496,735
Total		\$ 1,765,000	404,581	2,169,581

On July 1, 2013, the District issued \$2,500,000 general obligation school bonds, series 2013, to provide funds to build, furnish, and equip additions to its existing facility and related remodeling, and to improve the sites. During the year ended June 30, 2020, principal and interest paid were \$115,000 and \$53,128, respectively.

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2015			
	Interest Rates	Principal	Interest	Total
2021	1.70%	\$ 80,000	21,920	101,920
2022	2.00%	80,000	20,440	100,440
2023	2.30%	85,000	18,362	103,362
2024	2.30%	85,000	16,707	101,707
2025	2.60%	85,000	14,625	99,625
2026-2030	2.60-3.00%	475,000	35,600	510,600
Total		\$ 890,000	127,654	1,017,654

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,200,000 of bonds issued in April, 2015. The bonds were issued for the purpose of financing a portion of the costs of a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through July 1, 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require less than 30% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,017,654. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$104,200 and \$363,521, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$106,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Monies were not always timely deposited to the sinking account, as required by the bond resolutions.

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to \$800 per year of service up to a maximum of \$25,000. The early retirement incentive is paid on July 15th of the year of retirement. Early retirement incentive benefits paid during the year ended June 30, 2020 totaled \$44,800. At June 30, 2020, the District had obligations to three participants at June 30, 2020 totaling \$58,400.

(7) **Operating Lease**

The District entered into a lease on July 21, 2017 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 6,957
2022	6,957
2023	<u>580</u>
Total	<u>\$ 14,494</u>

During the fiscal year, payments made under these lease agreements were \$6,942.

(8) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$269,233.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$1,864,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.0322032%, which was a decrease of 0.000507% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized pension expense of \$292,105. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,170	67,048
Changes of assumptions	199,744	-
Net difference between projected and actual earnings on IPERS' investments	-	210,138
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	108,931	182,270
District contributions subsequent to the measurement date	269,233	-
Total	\$ 583,078	459,456

\$296,233 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ (2,311)
2022	(81,257)
2023	(22,993)
2024	(31,426)
2025	(7,624)
	<u>\$ (145,611)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0 %</u>	

(9) **Other Postemployment Benefits (OPEB)**

Plan Description – The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>49</u>
Total	<u><u>49</u></u>

Total OPEB Liability – The District's total OPEB liability of \$102,899 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. The total OPEB liability was rolled forward from the July 1, 2019 valuation date to the June 30, 2020 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	3.00% per annum.
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Discount rate
(effective June 30, 2019)

3.15% compounded annually,
including inflation.

Healthcare cost trend rate
(effective June 30, 2020)

6.00% rate.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 Annuity Mortality Table (2/3 female 1/3 male). Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 74,540
Changes for the year:	
Service cost	11,992
Interest	3,434
Differences between expected and actual experiences	20,197
Benefit payments	<u>(7,264)</u>
Net changes	<u>28,359</u>
Total OPEB liability end of year	<u>\$ 102,899</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$ 112,832	102,899	94,061

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 90,111	102,899	118,295

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$18,160. At June 30, 2020, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 7,572
Changes in assumptions	2,627
Total	<u>\$ 10,199</u>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ 767
2022	767
2023	767
2024	767
2025	767
Thereafter	6,364
	<u>\$ 10,199</u>

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and the out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District. The differences consist of a maximum District cost of \$2,000 for a single plan and \$4,000 for a family plan. The financial activity of this plan is accounted for in the Internal Service, Health Insurance Fund. The reserve for future casualty losses was \$170,817 at June 30, 2020.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$158,107 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Foundation

The Foundation is a 501 (c) 3 organization reported as a Special Revenue Fund in the financial statements. The purpose of the Foundation is to provide advancement, enhancement, or support to education in the District. The bylaws state that 90% of the realized income will be used to support grants, and 10% will be reinvested in the fund, along with the original principal amount. At June 30, 2020, the District determined that \$30,077 of the total amount in this fund must remain in perpetuity to fund the activities of the foundation. This amount is reported as a nonspendable fund balance on the balance sheet.

(13) Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

(14) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Teacher leadership state aid	\$ 91,071
Professional development for model core curriculum	1,277
Professional development supplement	<u>18,405</u>
Total	<u>\$ 110,753</u>

(15) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the District's operations and finances.

(16) Subsequent Events

The District has evaluated subsequent events through March 2, 2021, which is the date the financial statements were available to be issued.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Required Supplementary Information

Moravia Community School District

Budgetary Comparison Schedule of
Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
Revenues:							
Local sources	\$ 2,540,900	736,291	3,277,191	667,581	2,609,610	2,757,019	(147,409)
State sources	2,951,537	1,879	2,953,416	-	2,953,416	2,943,480	9,936
Federal sources	205,190	135,987	341,177	-	341,177	378,000	(36,823)
Total revenues	5,697,627	874,157	6,571,784	667,581	5,904,203	6,078,499	(174,296)
Expenditures/Expenses:							
Instruction	3,406,962	-	3,406,962	-	3,406,962	3,648,000	241,038
Support services	1,508,895	-	1,508,895	-	1,508,895	1,925,000	416,105
Non-instructional programs	649	908,685	909,334	690,077	219,257	275,000	55,743
Other expenditures	500,102	-	500,102	-	500,102	342,885	(157,217)
Total expenditures/expenses	5,416,608	908,685	6,325,293	690,077	5,635,216	6,190,885	555,669
Excess (deficiency) of revenues over (under) expenditures/expenses	281,019	(34,528)	246,491	(22,496)	268,987	(112,386)	381,373
Other financing sources, net	-	12,852	12,852	-	12,852	(83,000)	95,852
Change in fund balance	281,019	(21,676)	259,343	(22,496)	281,839	(195,386)	477,225
Balances beginning of year	2,306,100	309,717	2,615,817	206,864	2,408,953	1,998,368	410,585
Balances end of year	\$ 2,587,119	288,041	2,875,160	184,368	2,690,792	1,802,982	887,810

See accompanying independent auditor's report.

Moravia Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.032203%	0.032710%	0.029296%	0.035131%	0.036690%	0.036963%
District's proportionate share of the net pension liability	\$ 1,865	2,070	1,951	2,211	1,813	1,466
District's covered payroll	\$ 2,451	2,458	2,187	2,521	2,514	2,419
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.21%	89.21%	87.70%	72.12%	60.61%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Moravia Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 269	231	220	195	225	224	216	202	181	170
Contributions in relation to the statutorily required contribution	(269)	(231)	(220)	(195)	(225)	(224)	(216)	(202)	(181)	(170)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 2,852	2,451	\$ 2,458	2,187	2,521	2,514	2,419	2,330	2,243	2,446
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Moravia Community School District

Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 11,992	6,743	6,168
Interest cost	3,434	2,528	2,850
Differences between expected and actual experiences	20,197	(6,965)	(6,999)
Changes in assumptions	-	3,289	-
Benefit payments	(7,264)	(2,424)	(1,952)
Net change in total OPEB liability	28,359	3,171	67
Total OPEB liability beginning of year	74,540	71,369	71,302
Total OPEB liability end of year	\$ 102,899	74,540	71,369
Covered employee payroll	\$ 2,318,189	1,978,414	2,213,183
Total OPEB liability as a percentage of of covered-employee payroll	4.44%	3.77%	3.22%

See accompanying Independent Auditor's Report.

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.15%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	3.72%

Supplementary Information

Cash equivalents and pooled investments	\$ 41,376	163,347	190,730	260,967	813,975
Assets:					
Property tax:					
Delinquent	-	-	1,749	2,361	4,110
Succeeding year	-	-	125,000	165,828	290,828
counts	-	957	-	-	957
from other funds	-	-	24,800	-	24,800
Total assets	\$ 41,376	163,347	348,285	260,967	813,975

**Liabilities, Deferred Inflows of
Resources and Fund Balances**

Liabilities:					
Accounts payable	\$ -	136	-	-	136
Total liabilities	-	136	-	-	136

Deferred inflows of resources:

Unavailable revenues:

Succeeding year property tax	-	-	125,000	165,828	290,828
Total deferred inflows of resources	-	-	125,000	165,828	290,828

Fund balances:

Unspendable - Education foundation	30,077	-	-	-	30,077
Restricted for:					
Education foundation purposes	11,299	-	-	-	11,299
Management levy purposes	-	-	223,285	-	223,285
Debt service	-	-	-	95,139	95,139
Student activities	-	163,211	-	-	163,211
Total fund balances	41,376	163,211	223,285	95,139	523,011

**Total liabilities, deferred inflows of
resources and fund balances**

\$ 41,376	163,347	348,285	260,967	813,975
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accompanying independent auditor's report.

Moravia Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2020

	Special Revenue				Total
	Moravia Education Foundation	Student Activity	Management Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ -	-	121,308	164,800	286,108
Other	12,503	167,796	672	48	181,019
State sources	-	-	1,161	1,509	2,670
Total revenues	12,503	167,796	123,141	166,357	469,797
Expenditures:					
Current:					
Instruction:					
Regular	7,163	-	29,862	-	37,025
Special	-	-	2,764	-	2,764
Other	-	157,144	3,623	-	160,767
Support services:					
Student	-	-	565	-	565
Instructional staff	-	-	2	-	2
Administration	-	-	16,593	-	16,593
Operation and maintenance of plant	-	-	22,006	-	22,006
Transportation	-	-	13,733	-	13,733
Non-instructional programs	-	-	649	-	649
Other expenditures:					
Long-term debt:					
Principal	-	-	-	195,000	195,000
Interest and fiscal changes	-	-	-	79,488	79,488
Total expenditures	7,163	157,144	89,797	274,488	528,592
Excess (deficiency) of revenues over (under) expenditures	5,340	10,652	33,344	(108,131)	(58,795)
Other financing sources (uses):					
Transfers in	-	-	-	105,600	105,600
Total other financing sources (uses)	-	-	-	105,600	105,600
Change in fund balances	5,340	10,652	33,344	(2,531)	46,805
Fund balances beginning of year	36,036	152,559	189,941	97,670	476,206
Fund balances end of year	\$ 41,376	163,211	223,285	95,139	523,011

See accompanying independent auditor's report.

Show Choir	\$ 1,773	115	140	-	1,748
Athletics	9,750	32,721	37,407	-	5,064
Cross Country	1,324	-	-	-	1,324
Golf	249	-	500	251	-
Boys Basketball	1,281	4,846	5,858	-	269
High School Football	3,400	2,760	3,840	-	2,320
Baseball	4,463	4,334	6,241	-	2,556
Boys Track	103	1,000	-	-	1,103
Wrestling	447	4,687	3,891	(348)	895
Girls Basketball	1,378	-	518	-	860
JH Girls Basketball	11	-	-	-	11
Volleyball	459	954	1,335	-	78
Softball	1,282	470	106	-	1,646
Girls Track	60	-	-	-	60
Adopt-a-Book	100	-	-	-	100
Interest	1,414	598	-	-	2,012
Variety Show	5,826	275	683	-	5,418
Band Trip	23,464	17,624	10,206	(46)	30,836
Yearbook	6,939	1,706	7,277	-	1,368
Football Cheerleaders	516	654	599	-	571
Basketball Cheerleaders	688	-	246	-	442
Drama	142	-	-	-	142
Spanish Club	81	-	-	-	81
FFA	19,579	42,829	40,410	-	21,998
FCCLA	294	5	51	-	248
Student Council	930	543	919	-	554
Academic Dream	678	-	61	-	617
Student Development	1,641	-	348	348	1,641
Concessions	1,052	13,507	12,883	-	1,676
High School Activity	7,545	4,014	3,438	(229)	7,892
National Honor Society	969	-	-	-	969
Speech Club	26	-	-	-	26
Class of 2019	150	-	128	(22)	-
Class of 2020	15,283	10,396	9,084	-	16,595
Class of 2021	11,756	8,442	1,121	-	19,077
Class of 2022	6,034	5,191	1,075	-	10,150
Class of 2023	1,897	466	447	-	1,916
Class of 2024	1,693	425	-	-	2,118
Class of 2025	10	1,061	-	-	1,071
Class of 2026	-	400	-	-	400
Elementary	17,325	7,773	8,286	-	16,812
JH Volleyball	426	-	-	-	426
JH Wrestling	121	-	-	-	121
Unreserved	-	-	46	46	-
Total	\$ 152,559	167,796	157,144	-	163,211

See accompanying independent auditor's report.

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 201,591	37,247	238,838
Receivables:			
Property tax:			
Delinquent	-	525	525
Succeeding year	-	44,543	44,543
Due from other governments	30,636	-	30,636
Total assets	\$ 232,227	82,315	314,542
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
None	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	44,543	44,543
Total deferred inflows of resources	-	44,543	44,543
Fund balances:			
Restricted for:			
Debt service	106,000	-	106,000
School infrastructure	126,227	-	126,227
Physical plant and equipment	-	37,772	37,772
Total fund balances	232,227	37,772	269,999
Total liabilities, deferred inflows of resources and fund balances	\$ 232,227	82,315	314,542

See accompanying independent auditor's report.

Moravia Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Projects Fund Accounts

Year ended June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	36,652	36,652
Other	-	17	17
State sources	363,521	319	363,840
Total revenues	363,521	36,988	400,509
Expenditures:			
Instruction:			
Regular	10,356	3,628	13,984
Support services:			
Instructional staff	6,942	-	6,942
Operation and maintenance of plant	99,140	6,433	105,573
Transportation	112,736	-	112,736
Other expenditures:			
Facilities acquisition	61,819	5,688	67,507
Total expenditures	290,993	15,749	306,742
Excess of revenues over expenditures	72,528	21,239	93,767
Other financing sources (uses):			
Transfers out	(105,600)	-	(105,600)
Total other financing sources (uses)	(105,600)	-	(105,600)
Change in fund balances	(33,072)	21,239	(11,833)
Fund balances beginning of year	265,299	16,533	281,832
Fund balances end of year	\$ 232,227	37,772	269,999

See accompanying independent auditor's report.

Moravia Community School District

Schedule 6

Combining Schedule of Net Position
Internal Service Funds

June 30, 2020

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 13,551	170,817	184,368
Total assets	<u>13,551</u>	<u>170,817</u>	<u>184,368</u>
Net Position			
Unrestricted	<u>13,551</u>	<u>170,817</u>	<u>184,368</u>
Total net position	<u>\$ 13,551</u>	<u>170,817</u>	<u>184,368</u>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 7

Combining Schedule of Revenues, Expenses, and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2020

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	628,383	628,383
Charges to employees and others	11,370	27,438	38,808
Total operating revenues	11,370	655,821	667,191
Operating expenses:			
Non-instructional programs:			
Insurance premiums	-	600,592	600,592
Medical claims	-	61,650	61,650
Flexible spending claims	13,413	-	13,413
Administrative fees	-	14,422	14,422
Total operating expenses	13,413	676,664	690,077
Operating loss	(2,043)	(20,843)	(22,886)
Non-operating revenues:			
Interest income	-	390	390
Net non-operating revenues	-	390	390
Decrease in net position	(2,043)	(20,453)	(22,496)
Net position beginning of year	15,594	191,270	206,864
Net position ending of year	\$ 13,551	170,817	184,368

See accompanying independent auditor's report.

Cash flows from operating activities:

Cash received from operating fund reimbursements	\$	-	628,383	628,383
Cash received from employees and others		11,370	27,438	38,808
Cash payments to suppliers for services		(13,413)	(676,664)	(690,077)
Net cash used by operating activities		(2,043)	(20,843)	(22,886)

Cash flows from investing activities:

Interest on investments		-	390	390
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Net decrease in cash and cash equivalents		(2,043)	(20,453)	(22,496)
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Cash and cash equivalents at beginning of year		15,594	191,270	206,864
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Cash and cash equivalents at end of year	\$	13,551	170,817	184,368
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Reconciliation of operating income to net cash used by operating activities:

Operating loss	\$	(2,043)	(20,843)	(22,886)
Adjustments to reconcile operating income to net cash provided by operating activities				
None		-	-	-

Net cash used by operating activities	\$	(2,043)	(20,843)	(22,886)
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See accompanying independent auditor's report.

Moravia Community School District

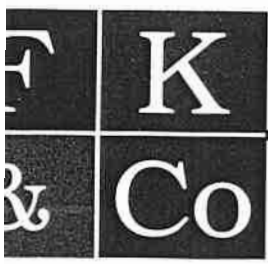
Schedule 9

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$1,543,004	1,634,922	1,538,191	1,493,822	1,598,146	1,497,584	1,483,286	1,613,614	1,654,654	1,525,122
Tuition	705,311	888,082	784,595	774,898	667,262	671,815	575,585	439,156	459,136	398,636
Other	292,585	235,416	266,580	245,655	286,797	250,833	271,349	258,316	258,627	233,000
State sources	2,951,537	2,792,416	2,597,826	2,719,603	2,613,076	2,602,913	2,358,430	2,087,482	2,112,133	1,922,751
Federal sources	205,190	194,623	220,203	227,450	198,478	219,219	224,276	330,550	247,726	329,958
Total	\$5,697,627	5,745,459	5,407,395	5,461,428	5,363,759	5,242,364	4,912,926	4,729,118	4,732,276	4,409,467
Expenditures:										
Instruction:										
Regular	\$2,196,272	2,255,902	2,019,330	2,181,653	2,071,197	2,015,647	1,889,340	1,995,128	1,882,591	1,789,589
Special	454,974	425,572	452,402	455,609	406,085	403,574	379,630	375,493	358,831	378,541
Other	755,716	736,254	849,832	685,752	744,602	728,663	733,555	676,257	608,117	553,178
Support services:										
Student	87,202	80,468	83,741	86,487	86,036	87,787	81,096	102,875	101,275	97,084
Instructional staff	28,833	83,689	88,438	107,298	114,684	126,894	143,948	159,860	188,503	103,743
Administration	605,009	601,081	561,159	543,910	533,603	514,690	499,630	464,596	431,985	417,788
Operation and maintenance of plant	491,799	498,719	663,582	559,214	488,820	393,193	333,276	344,838	355,551	246,005
Transportation	296,052	229,623	225,178	326,743	182,487	199,514	323,060	306,474	227,177	246,979
Non-instructional programs	649	800	922	729	644	838	853	795	515	617
Other expenditures:										
Facilities acquisition	67,507	72,077	35,367	25,197	180,273	3,184,582	460,913	47,468	100,448	103,220
Long-term debt:										
Principal	195,000	190,000	190,000	175,000	100,000	100,000	95,000	55,000	90,000	90,000
Interest and other charges	79,488	82,646	86,708	90,778	88,780	114,601	145,942	2,644	5,975	9,030
AEA flowthrough	158,107	148,012	143,588	141,858	144,582	144,768	134,168	131,236	126,933	132,313
Total	\$5,416,608	5,404,843	5,400,247	5,380,228	5,141,793	8,014,751	5,220,411	4,662,664	4,477,901	4,168,087

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Moravia Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District (District) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-C-20, I-D-20, I-E-20 and I-G-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-F-20 to be a significant deficiency.

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As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

March 2, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of Moravia Community School District (District) financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Cash – initiating cash disbursement transactions and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – recording, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.

Cause – The District has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2020

Response – The District will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Moravia Education Foundation

Criteria – An effective internal control system provides for internal controls related to the propriety of the accounting systems.

Condition - A double entry accounting system is not used by the Moravia Education Foundation (Foundation). As a result, the District was unable to prepare accurate financial statements in accordance with generally accepted accounting principles for the Foundation for the year ended June 30, 2020.

Cause – Policies have not been established and procedures have not been implemented to require a double entry accounting system to be used by the District.

Effect – This condition could result in unrecorded or misstated financial statements.

Recommendation – The Foundation should implement a double entry accounting system, and prepare financial statements on a monthly and yearly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

I-C-20 Fundraisers

Criteria – An effective internal control provides that all activity fund receipts are accounted for properly.

Condition - For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Cause - District policies do not require and procedures have not been established to ensure there are procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Effect – Lack of a fundraiser reconciliation could result in undetected errors and unauthorized activity.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2020

I-D-20 Athletic Event Admission Fees

Criteria – The District’s controls over cash being received for admission to the various athletic events throughout the year need improvements.

Condition - Pre-numbered admission tickets were not consistently issued for athletic events. As a result, there is less assurance that all cash collected for these events are accounted for properly.

Cause - District policies do not require and procedures have not been established to ensure pre-numbered admission tickets are used for all athletic events.

Effect – Lack of the use of pre-numbered admission tickets could result in undetected errors and unauthorized activity.

Recommendation – The District should issue pre-numbered admission tickets for athletic events. The District should then reconcile the dollar value of pre-numbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

I-E-20 Preparation of Full Disclosure Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the District. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that District officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2020

I-F-20 Fixed Assets

Criteria – The District controls over fixed asset accountability are in need of improvement.

Condition - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Cause - District policies do not require and procedures have not been established to ensure verification of fixed assets, and that a perpetual record of fixed assets is maintained.

Effect – Lack of performing a physical verification of fixed assets and maintaining a perpetual record of fixed assets could result in undetected errors or unauthorized activity.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response acknowledged.

I-G-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Material adjustments were made to assets, liabilities, revenues and expenditures balances and accounts as of June 30, 2020 and for the fiscal year ending June 30, 2020.

Cause – District policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of District policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Recommendation – The District should establish procedures to ensure all transactions are properly recorded and reported in the District's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 exceeded the amounts budgeted in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the code of Iowa before expenditures were allowed to exceed the budget.

Response – The District will re-evaluate the certified budget and make amendments as necessary.

Conclusion – Response acknowledged.

- II-B-20 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-20 Travel Expense - No expenditures of Moravia Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-20 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steve Smith, Board Member	Coaching	\$ 2,148
Jamie Hanes, Board Member	Coaching	1,299
John Baty, Board Member Owner of Baty Electric	Repair/Maintenance	9,233

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Baty would appear to represent conflicts of interest. In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Smith and Ms. Hanes would not appear to represent conflicts of interest.

Recommendation – The District should contact legal counsel regarding the above related party transactions with the Board members to determine what, if any, corrective action is needed.

Response – We will discuss this with our School Attorney.

Conclusion – Response acknowledged.

- II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

- II-F-20 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-G-20 Board Minutes – No transactions were found that should have been approved in the Board minutes but were not.

Year ended June 30, 2020

- II-H-20 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted. We noted that the certified enrollment was overstated by 1.0 student.

Recommendation – The District should develop procedures to ensure accurate counts and accurate enrollment data is certified to the Iowa Department of Education.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-I-20 Supplementary Weighting – Supplementary weighting certified to the Iowa Department of Education was overstated by .708 students.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response acknowledged.

- II-J-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-K-20 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-L-20 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- II-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Moravia Community School District

Schedule of Findings

Year ended June 30, 2020

Beginning balance		\$ 265,299
Revenues/transfers in:		
Sales tax revenues		<u>363,521</u>
		628,820
Expenditures/transfers out:		
School infrastructure construction	\$ 59,565	
Equipment	197,189	
Other	34,239	
Transfers to other funds:		
Debt service fund	<u>105,600</u>	<u>396,593</u>
Ending balance		<u>\$ 232,227</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-N-20 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted, except that in one instance monies were not timely deposited to the sinking account, as required by the bond resolutions.

Recommendation – The District implement procedures to ensure monies are timely deposited to the sinking account as required by the bond resolutions.

Response - This was an oversight on our part, and it happened one time in the fiscal year. This will be corrected in the future.

Recommendation – Response acknowledged.

- II-O-20 Checks – The Board President does not sign some of the District checks, as required by Chapter 291.1 of the Code of Iowa

Recommendation – The Board President should sign all District checks, as required by the Code of Iowa.

Response – For one account, this was an oversight on our part. We will implement this recommendation.

Conclusion – Response acknowledged.

- II-P-20 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all entities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The District did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2020

II-Q-20 Disbursements – State of Iowa sales tax was paid on one purchase tested. As a governmental entity, the District is exempt from the payment of sales taxes to the State of Iowa.

Recommendation – The District should not pay State of Iowa sales tax.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-R-20 Billing Controls – During our review, we identified over \$14,000 due from other School Districts for open enrollment in tuition.

Recommendation – The District should implement procedures to ensure all amounts due to the District are collected on a timely basis.

Response – We will do a better job in the future in relation to collecting from other School Districts.

Conclusion – Response acknowledged.